

Professional golf tournament; social welfare. A nonprofit organization, whose membership is limited to local residents, and whose sole activity is sponsoring an annual professional golf tournament for which it leases a golf course and charges admission, is not operated primarily for the promotion of social welfare and does not qualify for exemption under section 501(c)(4) of the Code.

Advice has been requested whether the nonprofit organization described below qualifies for exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1954.

The organization was formed by local businessmen to provide recreation and entertainment for the citizens and visitors of the community. All residents of the community are eligible to become members of the organization upon payment of a nominal initiation fee and approval of a majority of the Board of Directors. The organization's sole activity is the sponsorship of an annual professional golf tournament that would otherwise not be available to the community. The tournament features nationally known competitors and receives nation-wide news coverage. The organization charges a standard admission fee to the public to attend the tournament.

The organization's income is from gate receipts, membership fees, and assessments. Its disbursements are for prize money for the golfers, rental of a golf course, and miscellaneous administrative expenses.

Section 501(c)(4) of the Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization coming within the scope of this section is one which is operated primarily to bring about civic betterments and social improvements.

Section 1.501(c)(4)-1(a)(2)(ii) of the regulations provides that an organization is not operated primarily for the promotion of social welfare if its primary activity is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

A professional golf tournament is an activity that can be operated for profit, and the sponsorship of such a golf tournament can itself be a business for profit. The golf tournament sponsored by the organization is carried on with the

general public and is operated in a manner similar to tournaments operated for profit.

Accordingly, the organization is not operated primarily for the promotion of social welfare and, therefore, does not qualify for exemption from Federal income tax under section 501(c)(4) of the Code.